

Message Text

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FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 6533

INFO AMCONSUL MELBOURNE

UNCLAS CANBERRA 6047

E.O. 11652: N/A

TAGS: EAIR, AS

SUBJ: PROSPECTIVE INCREASES IN AIR NAVIGATION CHARGES

REF: (A) STATE 208386

(B) CANBERRA 5630

1. IN AUGUST 19 BUDGET SPEECH TREASURER HAYDEN OUTLINED EXISTING GOA PROGRAM TO ACHIEVE BY 1978 A RATE OF 80 PCT. RECOVERY OF THE COST OF PROVIDING AND OPERATING AIRPORT AND AIRWAY FACILITIES. THE TARGET RECOVERY RATE FOR 1975-1976 IS 70 PCT. HAYDEN CONTINUED THAT THE RECOVERY RATE UNDER THE PRESENT BUDGET IS ABOUT 55 PCT., AND WENT ON TO SAY "ACTION WILL BE TAKEN TO INCREASE THE RECOVERY RATE TO 70 PCT. THIS YEAR. THIS WILL REQUIRE INCREASES IN AIR NAVIGATION CHARGES (ANC) SUBSTANTIALLY GREATER THAN THE MAXIMUM 15 PCT. ANNUAL INCREASE REFERRED TO IN THE 1973 AIRLINES AGREEMENT. THE AIRLINES HAVE UNDERTAKEN IN THE AGREEMENT TO NEGOTIATE SUCH CHANGES AS ARE NECESSARY TO ACHIEVE THE OBJECTIVE OF 80 PCT. RECOVERY BY 1978."

2. THE DETAILED 1976 BUDGET DOCUMENTS PROVIDE FOR RECOVERIES FROM AIR NAVIGATION CHARGES OF \$A77 MILLION, AS COMPARED WITH ACTUAL RECOVERIES OF \$A44.9 MILLION IN 1974-75, AN INCREASE OF 71 PCT. WE UNDERSTAND THAT THIS FIGURE WAS CALCULATED BY THE TREASURY DEPARTMENT AND NOT DEVELOPED ON THE BASIS OF AN ASSUMED REVISED SCHEDULE OF

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DETAILED ANC'S BY THE DEPARTMENT OF TRANSPORT.

3. ALTHOUGH NO SPECIFIC ANC INCREASES HAVE YET BEEN ANNOUNCED, THE PRESS HAS CITED INDUSTRY ESTIMATES THAT TO REACH THE TARGETED FIGURE ANC'S WOULD HAVE TO INCREASE OVERALL BY AN AVERAGE OF ABOUT 50 PCT. THIS CALCULATION IS BASED ON THE ASSUMPTION OF A 15 PCT. GROWTH IN INTERNATIONAL CARRIERS BUSINESS AND A GROWTH OF APPROXIMATELY 6-8 PCT. FOR DOMESTIC CARRIERS.

4. WE UNDERSTAND THAT THE 70 PCT. RECOVERY GOAL IS INTENDED TO BE MET BY TWO DIFFERENT REVENUE SOURCES: (1) DIRECT RECEIPTS SUCH AS ANC, AIRPORT RENTALS, OTHER AIRPORT REVENUES, AND DIVIDENDS FROM THE TWO GOVERNMENT AIRLINES; AND (2) INDIRECT RECEIPTS MAINLY THE EXCISE TAXES PAID ON FUEL FOR AVIATION USE. NO DETAILED ESTIMATES HAVE YET BEEN RELEASED RESPECTING THE PROBABLE REVENUE FROM THESE OTHER SOURCES AND IT IS CONCEIVABLE THAT THEY MAY HAVE THE EFFECT OF SLIGHTLY RAISING OR LOWERING THE \$A77 MILLION ESTIMATE OF ANC REVENUE REQUIRED. BUT IT DOES APPEAR, SO FAR AS PRELIMINARY INFORMATION IS AVAILABLE, THAT THE OVERALL INCREASE IN AVERAGE ANC'S WOULD HAVE TO BE IN THE MAGNITUDE OF 50 PCT. IN ORDER TO MEET THESE TARGETS.

5. EMBASSY OR CONGEN MELBOURNE WILL REPORT FURTHER WHEN ADDITIONAL INFORMATION OR ACTUAL ANC INCREASES BECOME AVAILABLE.
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